Twenty12
Niagara Region
Annual Financial Report

The fiscal year ending December 31, 2012

Niagara Region

VISION

Niagara Region is a unified community of communities with diverse opportunities and qualities. Together we strive for a better tomorrow.

MISSION

Niagara Region will serve its residents, businesses and visitors through leadership, partnership and the provision of effective and community-focused services.

VALUES

Our corporate values guide our decision-making and actions every day.

respect	We treat everyone equitably with compassion, sensitivity and respect.
serve	We serve Niagara with pride, care and excellence.
honesty	We value honesty, integrity and trust.
choice	We believe in social, environmental and economic choices that support our diverse community.
partnerships	We foster collaboration and value partnerships.

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Government Finance Officers Association

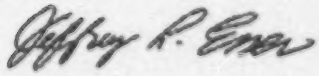
Canadian Award for Financial Reporting

Presented to

The Regional Municipality of Niagara, Ontario

For its Annual
Financial Report
for the Year Ended

December 31, 2011



Executive Director

For the eighth year in a row, Niagara Region received the Canadian Award for Financial Reporting. A recipient must publish an easily readable and efficiently organized annual financial report, whose contents conform to program standards. Such reports should be beyond the minimum requirements of generally accepted accounting principles and demonstrate an effort to clearly communicate the financial picture, enhance an understanding of financial reporting and address user needs.

Twenty12
Niagara Region
Annual Financial Report
Introduction

The fiscal year ending December 31, 2012

The Regional Municipality of Niagara, Ontario, Canada

Prepared by the Office of the Chief Administrative Officer
and the Corporate Services Department

ABOUT NIAGARA REGION

Niagara is a culturally rich and historically significant region offering its 447,000 residents a mix of urban and rural living. The region boasts a diverse economy that includes manufacturing, tourism, agriculture and agribusiness, transportation and logistics, and emerging sectors such as new media, green technology and bioscience. Located between two Great Lakes, Erie and Ontario, Niagara's many natural features and proximity to Toronto and to the United States, with which it shares a border, continue to shape the region's evolution as a centre of commerce and an international tourism destination. Niagara's diverse culture and history were recently showcased to the world through Canadian Heritage's designation as a Cultural Capital of Canada for 2012.

Niagara Region is one of six regional governments in Ontario. On January 1, 1970, under the Regional Municipality of Niagara Act, 26 municipalities were merged into 12 area municipalities and the counties of Lincoln and Welland were transformed into the regional municipality of Niagara Region.

Regional government responsibilities, as delegated by the Province of Ontario, include:

- Policing
- Waste management
- Public health
- Long-term care
- Social housing
- Economic development
- Conservation and management of natural resources
- Water and wastewater
- Regional arterial roads
- Social assistance
- Children's services
- Paramedic and emergency services
- Planning services
- Provincial offences

Regional government operations are overseen by Niagara Regional Council which is composed of 30 elected representatives from 12 area municipalities, plus the Regional Chair. The current Regional Council was elected in October 2010 and the 31 members will serve for a four-year term to November 30, 2014.

CORPORATE ORGANIZATION CHART

Niagara Citizens:

447,000 residents

Regional Council:

Regional Chair, Gary Burroughs and 30 Councillors

Executive Office:

Chief Administrative Officer, Mike Trojan

Six Operating Departments:

Community Services, Corporate Services, Integrated Community Planning, Public Health, Public Works Administration, including Economic Development

Niagara Region

Twenty12 – Twenty15

COUNCIL BUSINESS PLAN

Providing responsive, effective services to residents is a primary goal of Niagara Region. We are committed to carrying out a business plan focused on building and sustaining a strong, healthy and vibrant region. The 2012 – 2015 Council Business Plan outlines the key objectives Council has set for its term in office. It was developed with input from Council members, residents, community partners, business leaders and area municipalities.

THEMES FOR 2012 – 2015

A Responsive Region

Be known for its effective decision-making, strong partnerships, clear accountability and service excellence

Healthy Community
Support a safe, healthy, diverse, culturally rich community where people of all ages and incomes enjoy a high quality of life

Open for Business
Become a prime destination for investment and encourage the growth of a diversified and sustainable economic base

Environmentally Responsible
Increase the health and sustainability of its physical infrastructure and natural environment for current and future generations

Integrated Transportation System
Work collaboratively with others to strengthen and coordinate the transportation system and services, and support alternative choices for people and goods to move within and beyond the region

Governance Review
Undertake a governance review to enhance its organizational and decision-making capacity to more effectively and efficiently represent the residents of Niagara

Public Engagement and Communications
Have a consistent and compelling message to be a great place in which to live, study, work, visit and invest

To view the full plan, which includes key action items, visit **www.niagararegion.ca.**

Twenty10 – Twenty14

REGIONAL COUNCIL

Front row, left to right:

Bill Hodgson, Lincoln - Mayor

Barry Sharpe, Welland - Mayor

Brian McMullan, St. Catharines - Mayor

Vance Badawey, Port Colborne - Mayor

Gary Burroughs, Niagara-on-the-Lake - Regional Chair

April Jeffs, Wainfleet - Mayor

Douglas Martin, Fort Erie - Mayor

Bob Bentley, Grimsby - Mayor

Douglas Joyner, West Lincoln - Mayor

Centre row, left to right:

George Marshall, Welland

Ted Luciani, Thorold - Mayor

Dave Augustyn, Pelham - Mayor

Dave Lepp, Niagara-on-the-Lake

David Barrick, Port Colborne

Debbie Zimmerman, Grimsby

Jim Diodati, Niagara Falls - Mayor

Selina Volpatti, Niagara Falls

Brian Baty, Pelham

Rona Katzman, St. Catharines

Tim Rigby, St. Catharines

Brian Heit, St. Catharines

Back Row, left to right:

Henry D'Angela, Thorold

Bruce Timms, St. Catharines

Mark Bylsma, Lincoln

Dave Eke, Niagara-on-the-Lake Lord Mayor

Alan Caslin, St. Catharines

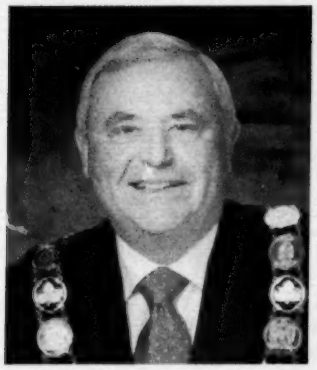
Bart Maves, Niagara Falls

Andrew Petrowski, St. Catharines

John Teal, Fort Erie

Barbara Greenwood, Niagara Falls

* Peter Kormos was elected to Regional Council representing Welland in March 2012. Councillor Kormos passed away March 30, 2013.



Gary Burroughs, Regional Chair

Mike Trojan, CAO

MESSAGE FROM THE REGIONAL CHAIR AND CHIEF ADMINISTRATIVE OFFICER

2012 was a year of progress and positive change at Niagara Region, as staff and Council worked together to advance the goals of its 2012-2015 Council Business Plan and provide responsive and effective services to Niagara's residents.

Council passed its 2013 budget, reflecting a 1.97 per cent increase to residents. This year's budget was accompanied by new and innovative public engagement tools that made the Region's budget process more approachable and transparent to residents. The Region also launched its Capital Budget Visualization Tool, giving residents and businesses a look at the Region's capital projects slated for the next 10 years.

Several key infrastructure announcements made headlines in 2012. Federal, Provincial and Regional funding was announced for the construction of a new wastewater treatment plant in the Town of Niagara-on-the-Lake, which will replace the existing plant and serve the needs of the community, both residential and commercial, for many years to come. We also received significant financial contributions from both of our federal and provincial funding partners toward the Burgoyne Bridge replacement in St. Catharines. The class environmental assessment and preliminary design study were also completed, and the detailed design assignment is currently at approximately 90 per cent completion, and we expect to tender the project in the summer of 2013 with construction starting in the fall of 2013.

As part of our commitment to service excellence and operational efficiency, we also initiated a series of key program reviews in order to increase value to those we serve, including a full Lean review of development services, which led to reduced business application times and better customer service. The Responsive Region Improvement Team also accomplished a great deal this past year, providing training to over 500 staff through a series of Lean process workshops, and assisting in eight separate Lean process reviews throughout the corporation.

2012 also saw the transition of Economic Development into its new in-house role at the Region. The new division has already begun the important work of transitioning Niagara into a new economy and creating the conditions for promoting growth, prosperity and job creation throughout the region, having recently completed a key update to the Niagara Economic Growth Strategy.

This past year was one of culture and history for all of Niagara, thanks to Niagara's designation as a Cultural Capital of Canada. Paired with the bicentennial celebration of the War of 1812, the program showcased the wealth of cultural, historical and artistic talent that resides in Niagara through numerous festivals, historical reenactments and art shows.

Niagara Region remains committed to providing the best services we can for residents. Building off the successes of the past year, we look to the coming year with a renewed sense of dedication and drive to work with our residents, municipal and business partners to provide good government, making Niagara a great place in which to live, study, work and invest.

CORPORATE MANAGEMENT TEAM

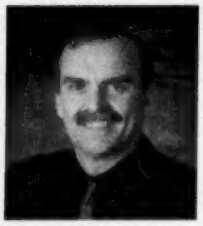
Mike Trojan
Chief Administrative Officer

Dr. Valerie Jaeger
Medical Officer of Health

Katherine Chislett
Commissioner, Community Services

Brian Hutchings*
Commissioner, Corporate Services/ Treasurer

Ken Brothers
Commissioner, Public Works



Patrick Robson
Commissioner, Integrated Community Planning

REGIONAL COUNCIL COMMITTEES

Corporate Services Committee

Integrated Community Planning Committee

Public Health and Social Services Committee

Public Works Committee

OFFICE OF THE CHIEF ADMINISTRATIVE OFFICER

Corporate Services Department

Integrated Community Planning Department

Public Health Department

Community Services Department

Public Works Department

Administration Department
including Economic Development

BOARDS AND AGENCIES - 2012

Provincial Offences Act
Ken Beaman, Chair
Joanne Spriet, Associate Director, Court Services

Police Services Board
Henry D'Angela, Chair; Todd Shoalts, Vice-Chair
Deb Morton, Executive Director

Niagara Peninsula Conservation Authority
Bruce Timms, Chair; Tony D'Amario, Chief Administrative Officer/Secretary-Treasurer

Niagara Regional Housing
Karen Murray, Chair; Lora Beckwith, General Manager

OTHER SUPPORTING SERVICES

Auditors
KPMG LLP

Fiscal Agents
National Bank Financial Inc., RBC Capital Markets, CIBC Wold Markets Inc.

Fiscal Solicitor
Borden Ladner Gervais

Insurance Broker
HUB International Ontario Limited

Banker
The Royal Bank of Canada

*** Brian Hutchings served until November 2012. Debbie Elliot is currently serving as Acting Commissioner of Corporate Services. Mike Trojan served as Acting Treasurer.**

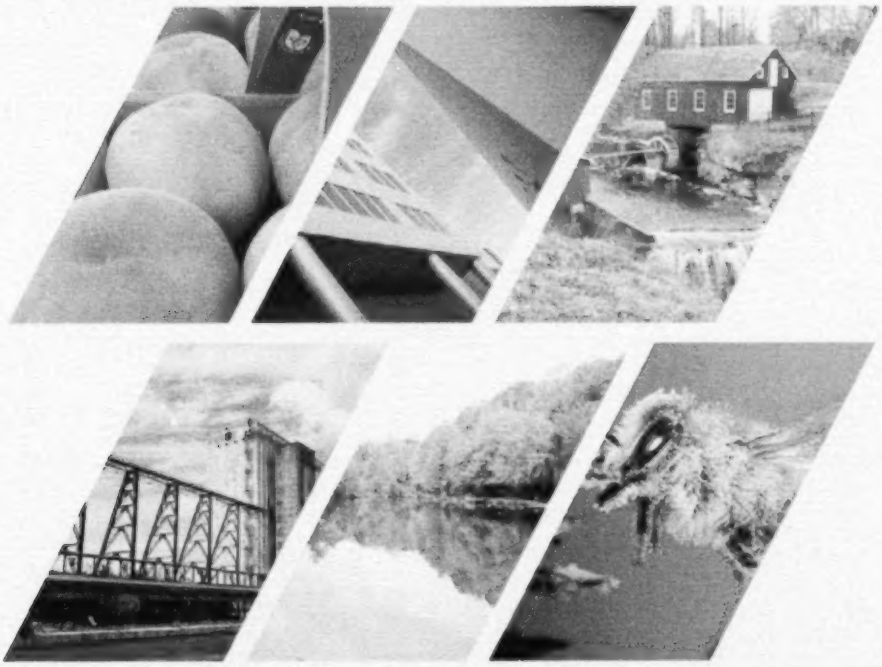
Taxpayer affordability and transparency

Council passed its 2013 budget carrying an increase of 1.97 per cent over 2012. The budget balanced the Region's 10-year capital budget forecast and was passed with taxpayer affordability and sustainable planning for Niagara's future as top priorities. A new public consultation process for 2012 improved transparency and resident engagement in the formulation of the budget.

Innovative IT projects also helped improve budget transparency. In 2012, the Region launched its 10-year Capital Budget Visualization Tool, offering a way for business owners and residents to view budget information on all of Niagara Region's capital infrastructure investments planned for the next 10 years. It displays an interactive map of Niagara and shows projected costs and project descriptions. The Region also launched its Open Data project, allowing the general public free access to many of the Region's raw data sets.

Service excellence

The Region scored well in a study of key service areas undertaken by the Ontario Municipal Benchmarking Initiative. The study, which examined performance results from 16 municipalities, showed that Niagara Region had the lowest drinking water operating costs and the lowest operating cost related to governance and corporate management.
The Region also ranked well in long-term care and emergency medical services.



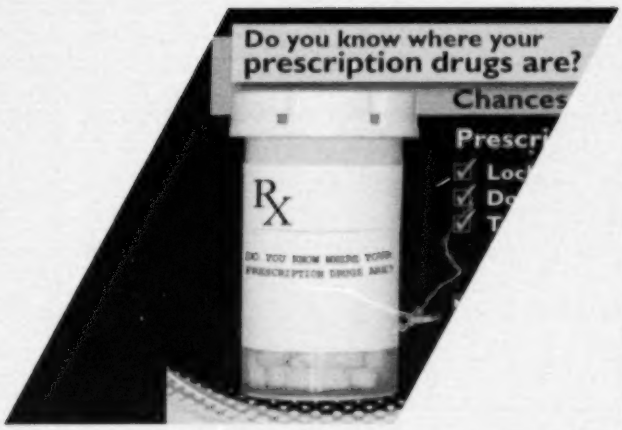
Fighting homelessness and poverty

In 2012, the Region oversaw the investment of $1.5 million in 47 poverty reduction projects delivered by 28 agencies. The Niagara Prosperity Initiative continues to make a real difference in the lives of our most vulnerable residents and neighbourhoods in need of attention. Council also approved a housing stability plan in response to provincial cuts to homelessness prevention funding in order to provide housing supports to our most vulnerable residents.

Caring for our children and seniors

Niagara Region began an extensive public consultation about the needs of seniors to guide our planning for programs and services to support seniors remaining in their homes for as long as possible. Work was also completed on phase one of the redevelopment of Deer Park Villa, the Region's 39-bed long-term care home in Grimsby, providing accommodation and around-the-clock care.

Community Services also made strides in promoting the healthy development of Niagara's children. Working with key service partners, the Region reduced the child care fee subsidy wait list by about 100 families through the placement of students starting or returning to school. An online, centralized child care wait list was also launched, enabling parents to apply for multiple child care programs with one form.

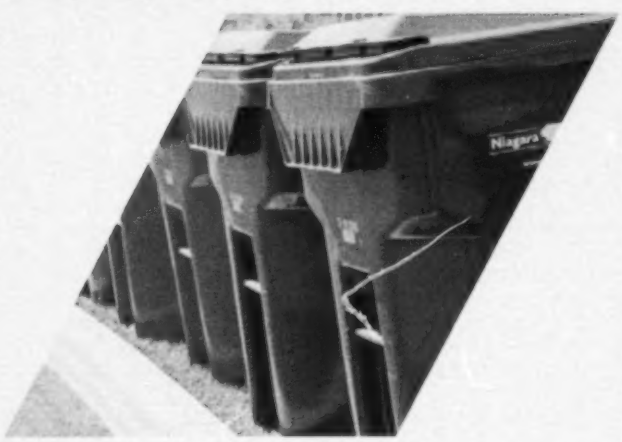


Preventing substance abuse

On May 12, 2012, Public Health hosted Niagara's first ever Prescription Drug Drop-off Day. By joining health prevention and enforcement together, new partnerships were formed with the Niagara Regional Police Service, the Ontario Provincial Police (OPP), the Ontario Association of Chiefs of Police (OACP), and Public Safety Canada. With residents taking back old and unused medications, access and availability to these medications for misuse has been reduced, and diversion from landfill sites and waterways has been achieved. In total, 426 cars attending, returning 400 kg (880 lbs.) of medications, 16,800 of which were narcotic pills. After the success of this initiative, and based on the Niagara model, the OPP and OACP are launching this campaign provincially.

Working together for safe and healthy communities

This year marked the official opening of the new joint location of Niagara Emergency Medical Services and the Niagara Regional Police Service in Fort Erie. Offering these two vital services from one location provides high quality service, being responsive to community needs while demonstrating efficiencies. The state-of-the-art facility features a "clean and green" building design, as it was constructed to LEED silver certification standards. Over the years, this building will support many dedicated men and women who will live out their commitment to service excellence.



Raising waste diversion rates

2012 was a milestone year for waste management activities as Niagara, for the first time, achieved a 51 per cent waste diversion rate. This means that over half of all residential waste produced is no longer directed to landfills. Instead, it is processed through recycling efforts to marketable resources, compost generating a valuable product or other diversion activities. The Region has set a new goal to raise the diversion rate to 65 per cent by 2020.

Building for Niagara's future

Two major infrastructure announcements were made in 2012. In October, federal and provincial funding was announced for a new wastewater treatment plant in the Town of Niagara-on-the-Lake. The new plant will address environmental and resident concerns and will service the needs of the community for at least 20 years. Also receiving federal and provincial funding, the class environmental assessment and preliminary design study were completed for the Burgoyne Bridge replacement, with tendering of the project expected in summer of 2013.

Celebrating our culture and protecting our future

Niagara's designation for 2012 as a Cultural Capital of Canada gave rise to a flurry of cultural, historical and artistic events that brought residents across the region together and showed the world the remarkable culture and talent that lives in Niagara.

Significant progress was also made in protecting our unique culture and lifestyle. The final phase of the Sustainable Niagara Action Plan was completed, setting the foundation for continued and sustainable growth. As part of a cooperative effort to safeguard our beautiful natural environment, Region staff was a key contributor to a joint white paper on climate change in Niagara. The Region also launched its Complete Streets initiative, which seeks to create ideal public spaces that are safe, healthy, connected to local transit and close to community locations such as schools and social services.

CULTURAL CAPITALE
CAPITAL CULTURELLE
of CANADA *du* CANADA

Staff recognized for excellence

Niagara Region is committed to excellence and supports staff in a variety of ways to foster their professional development. Staff across the corporation were recognized in 2012 for the many and varied ways they have, with dedication and excellence, served the residents of Niagara.

- Public Works waste management staff received awards for several programs in 2012. The Ontario Electronic Stewardship awarded the Region for excellence in the disposal of electronic waste, having disposed of 1,343 metric tonnes of e-waste since 2009. Waste management staff also received two awards from the Municipal Waste Association, recognizing the Recycling Ins and Outs campaign and the creation of three recycling and organics mascots. The Recycling Council of Ontario also recognized the Region for its successful waste diversion programs.
- Integrated Community Planning received a Brownie Award from the Canadian Urban Institute in recognition of the Smarter Niagara Incentives Program, which aims to support the redevelopment of brownfield sites and downtowns. After a comprehensive review in 2011, the program was upgraded to include a broader variety of initiatives to better meet the needs of each local area municipality.
- Each of the Region's eight long-term care homes received quality improvement awards as part of Ontario's Residents First initiative, which strives to ensure each long-term care home resident enjoys safe, effective and responsive care that helps them achieve the highest potential quality of life.
- Corporate Services IT Solutions staff received a Distinction Award Medal from the Government Technology Exhibition and Conference. The medal was given in the category of Transforming the Business of Government in recognition of the EMSTools application, currently used by paramedics, system status controllers, supervisors and management in Niagara Emergency Medical Services for shift rostering, inventory, issue reporting and more.
- Niagara Emergency Medical Services staff received several awards in 2012. Kenneth W. Kohut, Daniel Camillo Favero, Peter Donald Swick and Cheryl Taylor received the Governor General's Exemplary Service Medal in recognition of outstanding contributions to their profession. Four paramedics were also recognized as International Trauma Life Support champions. Tracey Groziebl, Jon Dyck, Chris Guay and Brianne Lavery came out on top of the three-day competition, in which teams from around the world participated in judged emergency trauma life support simulations.

Twenty12
Niagara Region
Financial Year in Review

The fiscal year ending December 31, 2012

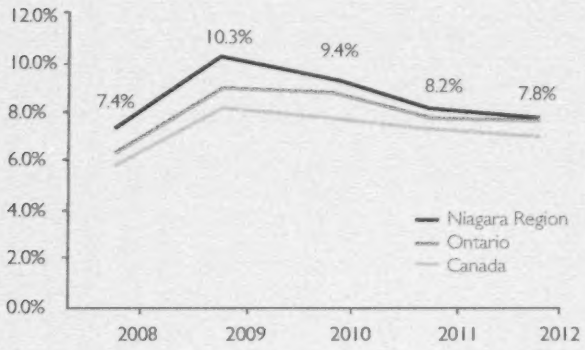
Niagara Region

THE NIAGARA REGION PROVIDES PROGRAMS AND SERVICES TO 447,000 RESIDENTS IN 12 LOCAL AREA MUNICIPALITIES.

Niagara Region's Economy

In 2012, Niagara's economy improved by way of a reduction in the unemployment rate from 8.2 per cent to 7.8 per cent. Both full-time and part-time employment grew in 2012 and the total number of employed persons increased from 197,200 in 2011 to 202,600 in 2012. The services-producing sector saw the greatest increase in employment with a growth of 5,000 persons employed while employment in the goods-producing sector stayed relatively stable, with a growth of 400 persons.

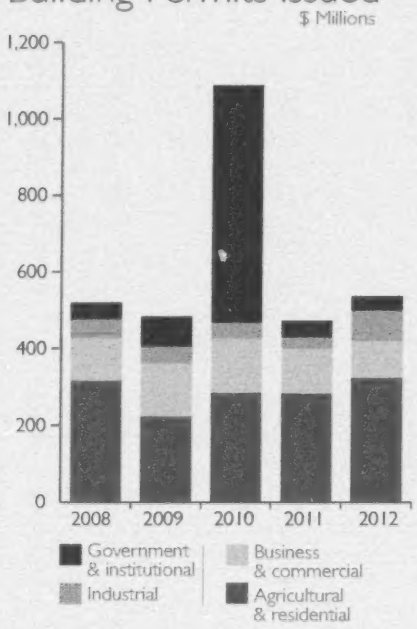
Unemployment Rates



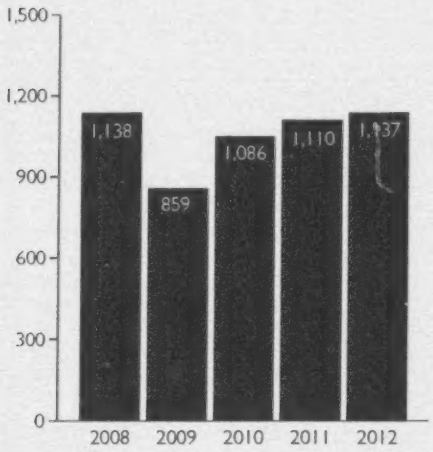
Niagara has continued to see modest population growth over the past year; the population 15 years of age and over grew by approximately 1,000 residents in 2012. At the same time, the labour force increased by 4,900 persons resulting in an increase in the labour force participation rate to 64.7 per cent from 63.4 per cent in 2011.

Housing starts were slightly above the historical 5 year average level with 1,137 permits issued. Total building permit values of $537 million represents an increase of approximately 14 per cent compared to 2011 while industrial building permits values of $78 million show an increase approximately 168 per cent when compared to 2011. Several major investments in Niagara were completed in 2012, including the General Motors Transmission and Engine Lines, an estimated investment of $480 million, as well as the Cairns Family Niagara Health and Biosciences Research Complex, an estimated $120 million investment.

Building Permits Issued

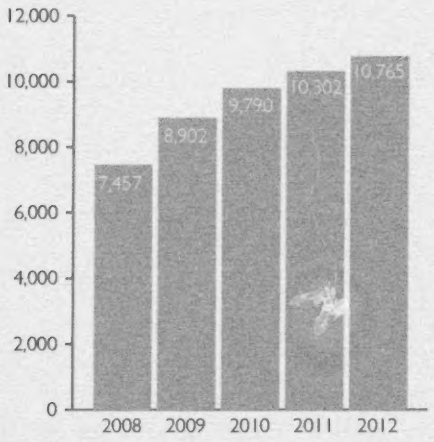


Housing Starts



While the employment outlook improved, Niagara continued to see an increase in the average monthly social assistance caseload from 10,302 people in 2011 to 10,765 people in 2012, representing a 4.5 per cent increase. Community Services continues to work diligently with each Ontario Works case and the province to provide programs to help those clients find employment opportunities.

Average Monthly Social Assistance Caseload



The Niagara Region supports business growth and economic prosperity by focusing on getting the conditions right to facilitate business growth, helping existing businesses succeed, and attracting new investment. The 2013 budget provides funding for:

- Implementation of the two year economic development action plan with focus on developing the four key sectors of manufacturing, agribusiness, tourism, and transportation and logistics;
- Inter-municipal transit pilot to help residents access services and employment across the region;
- Increasing the Smarter Niagara Incentive Programs from $750 thousand to $1 million to support sustainable community development by leveraging private sector investment
- Implementation of the Gateway incentives program to attract new employment to greenfield and brownfield employment lands; and
- Two-year grant program to fully offset Regional industrial development charges, to assist manufacturers and help encourage manufacturing job growth

The Region will continue efforts to reduce red tape and streamline initiatives, as well as to coordinate efforts between the Region and the twelve local area municipalities.

PROPERTY TAXES

On December 6, 2012, Regional Council approved a 2013 tax levy increase of 1.97 per cent after assessment growth. The average homeowner with a residence valued at $217,831 will experience a $25 tax increase in 2013. Historical assessment growth, being the incremental property taxes paid as a result of an expanding region (new homes and businesses), through 2013 is presented below.

Recent analysis performed by outside subject matter experts illustrated that the region maintains a competitive advantage with respect to property taxes on commercial and industrial properties. The review noted that while property tax rates are equal to or higher than other jurisdictions, assessment values representing the cost of capital in the region is on average lower than other jurisdictions. This has resulted in commercial office building properties and large industrial properties paying approximately 10% and 20% per square foot less than other jurisdictions respectively.

Property taxes of $666 per capita and $1,510 per household, when compared to other jurisdictions, illustrate the Niagara Region's broader property tax competitiveness. However, as a measure of affordability for residents, property taxes as a percentage of household income is higher for the Niagara Region at 4.2 per cent, compared to 3.8 per cent in other jurisdictions.

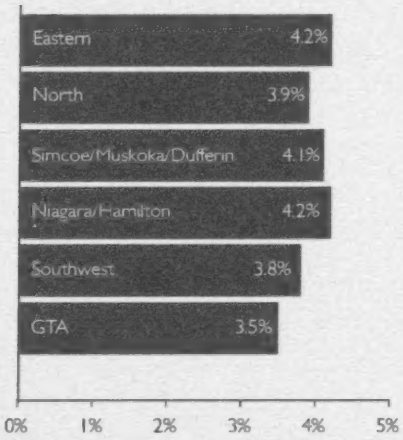
Regional Property Taxes Per Capita

2011

**Source: 2011 FIR; Levy revenue ÷ households*

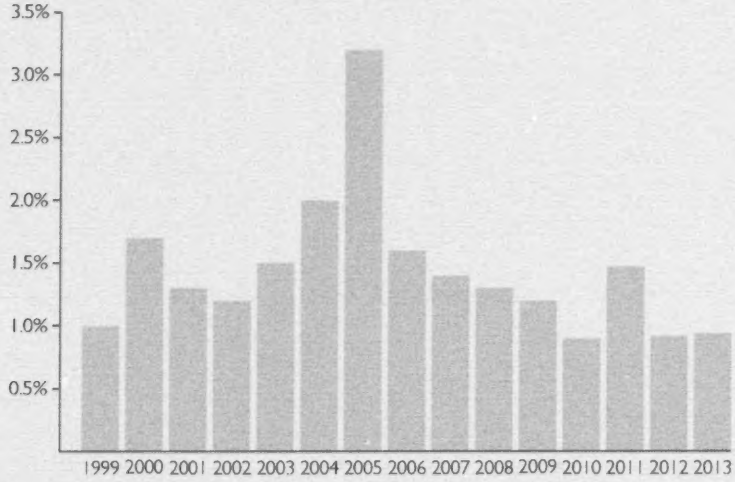
Property Taxes

As a per cent of household income



** Source: BMA Management Consulting Inc., Municipal Study - 2012*

Historical Assessment Growth



**Assessment growth for any given year is based on the information received from the Municipal Property Assessment Corporation (MPAC) in December of the prior year and is used in the setting of the tax rates at the time of budget approval.*

LONG-TERM DEBT STRATEGY

Standard & Poor "AA" Stable

On January 31, 2013, Standard & Poor's credit rating agency (S&P) reaffirmed Niagara Region's stable "AA" rating. S&P noted that the Niagara Region had $243 million of net debt outstanding at the end of 2012 and its debt ratio remained conservative compared with global peers, but slightly higher than similarly rated domestic peers. It also notes that the Niagara Region has sufficient liquid assets to cover more than eight times the estimated debt service costs for 2013. This level compares favorably with many domestic peers and is very strong when compared to similarly rated global peers.

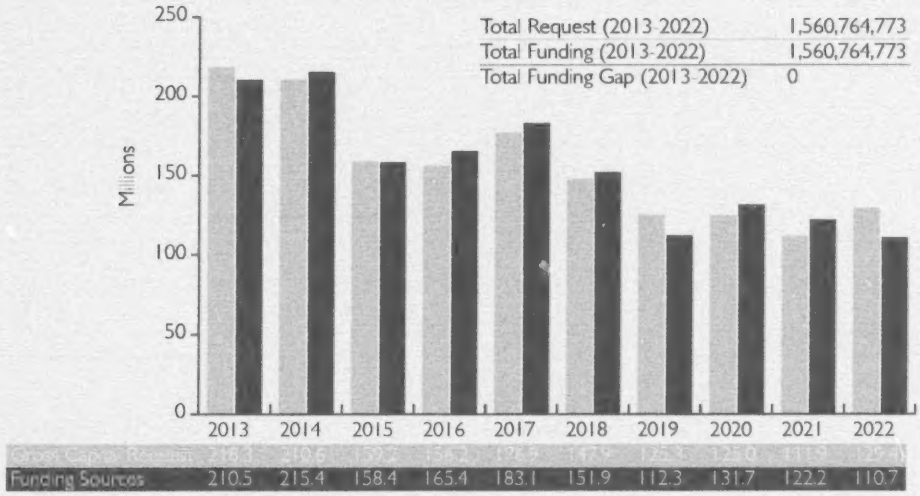
Capital program funding

The Niagara Region employs a capital program funding model to balance immediate and future needs, affordability and sustainability, while minimizing risk and supporting economic growth in the Niagara Region. The intent of the model is achieved by adhering to the following concepts:

1. Capital projects are budgeted in their entirety to support transparency of total project costing. Where a project could be considered for phasing the design and construction costs can be budgeted in different years
2. A source of funding is required for each capital project so one Council does not encumber a future Council:
   a. This ensures that the capital program is maintained within the affordability envelope
   b. This ensures accountability of the funding for a project lies with the approving Council

This model has been developed to support the continued strong S&P rating, and therefore minimizes the cost of borrowing to the Niagara Region and local area municipalities.

The graph beside illustrates deviations between the gross capital requests and the funding sources available within each year. The strategy used to balance the 10 year capital forecast is to defer surplus funding in the year it is not required and to apply to years where there are funding shortfalls. In aggregate the 10 year capital budget is balanced.



2012 Approved Budget compared to Financial Statements

A balanced 2012 operating and capital budget was approved by Council on December 1, 2011.

When preparing the budget, the Niagara Region considers its cash needs for the year to ensure it collects tax revenue sufficient to cover its obligations and execute its business plan. This includes budgeting for any principal debt repayments and considers any transfers to or from reserves required. Conversely, the Niagara Region does not budget for amortization and its annual impact on tangible capital assets, changes in employee future benefit liabilities and changes in the solid waste landfill closure and post closure costs liability as these are primarily non-cash items.

The budget was prepared for the purpose of setting tax rates and user fees rather than a framework for presenting annual financial results. Therefore, in order to issue financial statements, the Niagara Region is required to adjust its presentation of the financial results to be accordance with Canadian public sector accounting board (PSAB) standards. The chart below identifies the components that move the Niagara Region from its approved balanced budget to the Canadian PSAB financial statements presented throughout this annual report.

(in thousands)	Approved Budget	2012	2011
Based on budget approach			
Total Revenues	$ 778,213	$ 805,833	$ 792,793
Total Expenses	778,213	796,741	781,503
Net Surplus	-	9,092	11,290
PSAB Presentation Adjustments			
Recognize in year capital program revenues	44,660	44,660	56,329
Recognize capital fund expenditures resulting in operating expenses	(4,738)	(4,738)	(18,084)
Recognize loss on disposal & proceeds on disposal of assets	(3,196)	(3,196)	(1,188)
Remove principal debt repayments	28,366	28,632	31,032
Remove net transfers to reserves	57,991	47,811	52,564
Recognize amortization	(64,672)	(64,672)	(60,590)
Recognize change in landfill liability	(28,223)	(28,223)	1,272
Recognize change in employee future benefits liability	(4,422)	(4,090)	(1,366)
Other	-	146	(141)
Annual surplus per PSAB consolidated financial statements	$ 25,766	$ 25,422	$ 71,118

AUDIT COMMITTEE

The Niagara Region has an audit committee responsible for ensuring:

- the Niagara Region's annual consolidated financial statements are presented in accordance with generally accepted accounting principles and to recommend to Council the annual consolidated financial statements be approved;
- the Niagara Region has implemented appropriate systems of internal control over financial reporting and they are operating effectively;
- the Niagara Region has implemented appropriate systems of internal control to ensure compliance with legal, regulatory and ethical requirements;
- the external audit function has been effectively carried out and any matters which the independent auditors wish bring to the attention of the Audit Committee or Council has been addressed.
- the reporting of the Responsive Region Improvement Team is relevant (supportable) and reliable (objective and transparent). In making this assessment the Audit Committee may recommend the use of subject matter experts. For the purpose of efficiency and matters of budgeting expenditures it is recommended that the use of subject matter experts be determined annually when the Responsive Region Improvement Team work plan is approved.

The Audit Committee will evaluate the external auditor based on qualifications, independence, scope and approach to the audit, timing of the audit, and fees. The Audit Committee will recommend the replacement, reappointment and/or appointment of the external auditors to Council.

FINANCIAL MANAGEMENT AND CONTROL

The Niagara Region maintains a system of internal controls designed to safeguard assets and ensure transactions are properly authorized and recorded in compliance with legislative and regulatory requirements. The financial management and controls systems of the Niagara Region are governed by various by-laws, policies, and procedures. The Niagara Region's systems of internal controls are monitored and evaluated by management and are subject to independent audit.

Strengthened Financial Framework

Throughout 2012 the Niagara Region worked diligently to continue to strengthen its financial framework. In 2012, new financial policies on cost allocation methodology, reserve management and budget guidance strategy were developed. These policies support prudent fiscal management, help create a transparent financial reporting environment, and help efficiently guide budget strategy while considering affordability.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with Canadian PSAB standards as recommended by the Canadian Institute of Chartered Accountants. The statements and related information are the responsibility of management and include financial activities of all entities deemed to be controlled by the Niagara Region, including the Niagara Regional Police Service Board, Niagara Regional Housing, and the Provincial Offences Court Administration.

The Municipal Act of Ontario requires the Niagara Region to appoint an independent auditor to express an opinion as to whether the financial statements presently fairly, in all material respects, the Niagara Region's financial position and operating results. In discharging this responsibility, the auditors have complete access to all Niagara Region records and meet regularly with staff to discuss policies, procedures, and process improvements arising from the audit. The auditors provide to Audit Committee a written audit findings report and management letter dealing with the adequacy of internal financial control systems as well as an audit opinion on the results of the financial statement audit.

Consistent with prior years, the Niagara Region has received an unqualified audit opinion.

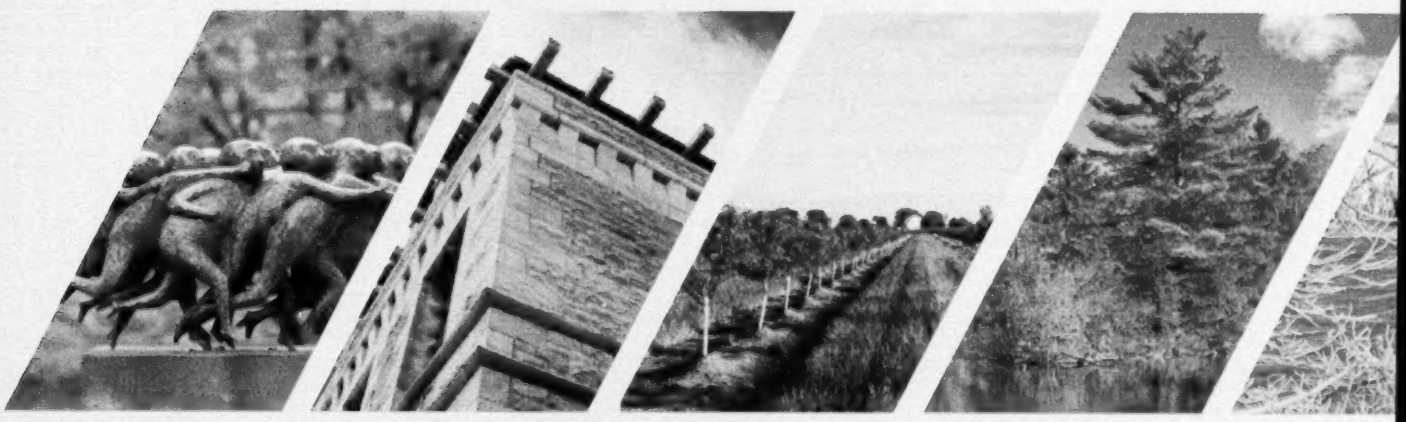
CANADIAN AWARD FOR FINANCIAL REPORTING

For the eighth year in a row, Niagara Region received the Canadian Award for Financial Reporting awarded by the Government Finance Officer's Association of the United States and Canada. A recipient must publish an easily readable and efficiently organized annual financial report, whose contents conform to program standards. Such reports should be beyond the minimum requirements of generally accepted accounting principles and demonstrate an effort to clearly communicate the financial picture, enhance an understanding of financial reporting and address user needs.

Management believes the 2012 report achieves the high standards associated with the award and will be submitted for consideration again this year.

FINANCIAL HIGHLIGHTS

The Niagara Region provides a wide range of program services to its residents in the areas of general government, protections to persons and property, transportation services, environmental services, public health, social and family services, social housing, and planning and development.



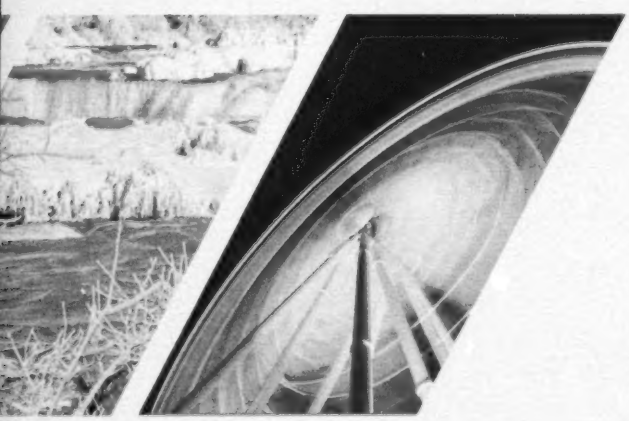
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The consolidated statement of financial position reports on Niagara Region's financial and non-financial assets, liabilities and accumulated surplus at December 31.

Net Financial Assets (Net Debt)

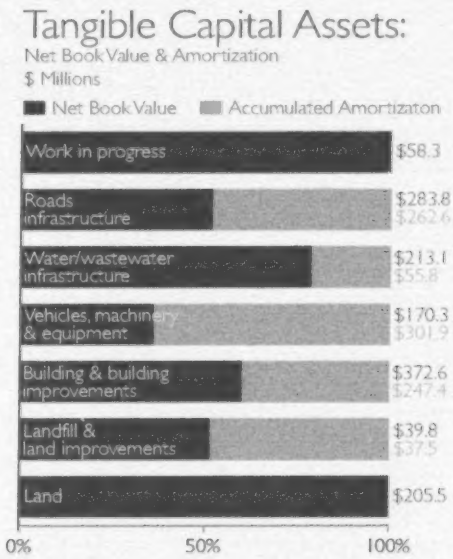
Public Sector accounting standards require the Niagara Region to distinguish between financial and physical assets. Financial assets are those assets on hand, which would provide resources to discharge liabilities or finance future operations. The difference between financial assets and liabilities, or net financial assets (net debt), is an indicator of the Niagara Region's ability to finance future activities and to meet its liabilities and commitments.

During the year Niagara Region moved from a net financial asset position of $15.9 million to a net debt position of $14.8 million. The shift to a net debt balance resulted primarily from changes in the estimated valuation of the landfill liability. Landfill liabilities reflect the Niagara Region's expected future costs for closure and post-closure care of owned landfills. The increase in this estimated liability is a result of new information.



Tangible Capital Assets

Tangible capital assets are significant economic resources managed by the Niagara Region and a key component in the delivery of many programs and services.



The net book value of tangible capital assets reported in the consolidated statement of financial position is $1,344 million and is highlighted by category in the accompanying chart. Total historical costs are $2,249 million and the total accumulated amortization is $905 million, implying that 40.2 percent of the estimated useful life of Niagara Region's tangible capital assets has been used in the delivery of programs and services. Amortization can be used to estimate future capital spending requirements with the understanding that asset replacement costs may be significantly higher than historical cost.

During the year the Niagara Region acquired $128 million of tangible capital assets. The amortization expense reported is the statement of operations amounted to $64.7 million.

Tangible capital asset acquisitions are approved by Council ensuring that the appropriate funding is in place.

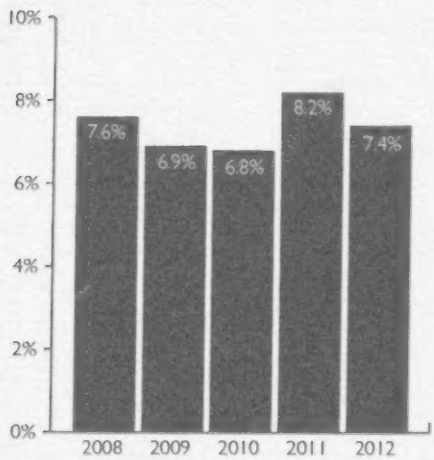
Debt Position

The Niagara Region's debt practices are governed by provincial legislation and Council. The province's prescribed annual debt repayment limit stipulates that payments relating to all debt and other long-term financial obligations of a municipality may not exceed 25 percent of own source revenues. This includes the annual tax levy, rate generated revenue, and user fees.

The Niagara Region by way of provincial legislation also issues all debt on behalf of the 12 local area municipalities and the conservation authority. The total debt recorded on the consolidated statement of financial position is $461 million or $1,032 per resident down from $483 million or $1,119 per resident in 2011. The debt attributed to the Niagara Region (total debt less debt recoverable from others) is $243 million or $544 per resident down from $266 million or $616 per resident in 2011. Niagara Region's debt charges (principal and interest) totaled $40.6 million or 7.4 per cent of own source revenue down from $44.2 million or 8.2 percent in 2011.

Debt Charges as a Per Cent of Own Source Revenues

$ Millions



Accumulated Surplus

The accumulated surplus represents the net asset position (financial assets plus non-financial assets less financial liabilities) of the Niagara Region.

At December 31, 2012 the Niagara Region's accumulated surplus balance is $1,342 million. This consists of a $1,100 million investment in tangible capital assets, $257 million in reserves, and $150 million unexpended capital financing. These balances are offset by a $12 million operating fund deficit and $153 million in unfunded liabilities. The reserves of $257 million are highlighted by designated purpose in the accompanying chart.

Reserve & Reserve Funds

Water operations	$73.4	28%
Wastewater operations	$56.5	22%
Waste management operations	$15.3	6%
Employee benefits	$35.5	14%
Niagara Regional Housing	$11.8	5%
General capital levy	$7.0	3%
Social assistance	$8.5	3%
Contingencies	$8.8	3%
Replacement of equipment	$6.7	3%
Tax write-off	$5.0	2%
Other	$28.7	11%

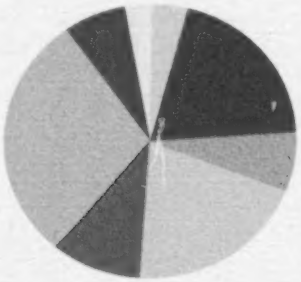
Consolidated Statement of Operations

The consolidated statement of operations reports the Niagara Region's change in economic resources and accumulated surplus. During the year annual revenues exceeded expenditures resulting in a $25.4 million surplus in accordance with Canadian PSAB standards. Compared to the prior year, the Niagara Region's revenues and expenses have stayed fairly consistent. Below is a breakdown of our revenue sources by type and our expenses by function.

Revenue by Source

Province of Ontario grants	$229.7	28%
Property taxpayer	$310.2	38%
User charges	$202.6	25%
Government of Canada grants	$27.8	3%
Investment income	$14.6	2%
Provincial offences act	$8.9	1%
Other	$25.8	3%

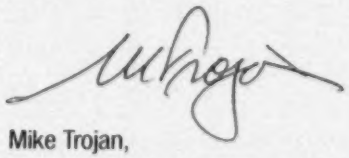
Expense by Function



General government	$30.9	4%
Protection to persons & property	$162.7	20%
Transportation services	$55.9	7%
Environmental services	$159.4	20%
Health services	$76.6	10%
Social and family services	$233.0	29%
Social housing	$54.8	7%
Planning and development	$20.9	3%

CONCLUSION

Providing service to 447,000 residents in an ever changing economy requires proactive financial management and a strong financial control framework. Achieving a balance between providing the programs and services residents have come to rely upon, ensuring they can afford to pay for them and ensuring that we have funds to support future infrastructure and program needs will continue to drive the financial strategies of the Niagara Region. We are committed to providing high standards of fiscal excellence at the Niagara Region.



Mike Trojan,
Chief Administrative Officer / Acting Treasurer
April 18, 2013

Twenty12
Niagara Region
Financial Statements

The fiscal year ending December 31, 2012

THE REGIONAL MUNICIPALITY OF NIAGARA

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December 31, 2012

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MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying financial statements of The Regional Municipality of Niagara (the "Region") are the responsibility of the Region's management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 1 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Region's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

The audit committee meets with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The financial statements have been audited by KPMG LLP, independent external auditors appointed by the Region. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Region's financial statements.

Mike Trojan,
Chief Administrative Officer / Acting Treasurer
April 18, 2013

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INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of
The Regional Municipality of Niagara

We have audited the accompanying consolidated financial statements of the Regional Municipality of Niagara, which comprise the consolidated statement of financial position as at December 31, 2012, the consolidated statements of operations, change in net financial assets (net debt) and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated statement of financial position of the Regional Municipality of Niagara as at December 31, 2012, and its consolidated results of operations and the changes in its consolidated net financial assets (net debt) and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Accountants, Licensed Public Accountants
April 18, 2013, St. Catharines, Canada

KPMG LLP, is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative. KPMG Canada provides services to KPMG LLP.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Year ended December 31, 2012, with comparative figures for 2011 (In thousands of dollars)

	2012	2011
FINANCIAL ASSETS:		
Cash	$ 112,036	$ 87,144
Investments (note 2)	368,744	407,540
Accounts receivable (note 3)	65,012	74,763
Other current assets	366	279
Debt recoverable from others (note 7)	217,729	217,154
	763,887	786,880
FINANCIAL LIABILITIES:		
Accounts payable and accrued liabilities	97,821	97,009
Employee benefits and other liabilities (note 4)	87,082	82,659
Deferred revenue (note 5)	66,086	70,005
Landfill liability (note 6)	66,783	38,560
Long-term liabilities (note 7)	460,893	482,718
	778,665	770,951
Net financial assets (net debt)	(14,778)	15,929
NON-FINANCIAL ASSETS:		
Tangible capital assets (note 8)	1,343,415	1,283,434
Inventory	4,415	3,872
Deposit (note 9)	-	4,814
Prepaid expenses	8,855	8,436
	1,356,685	1,300,556
Accumulated surplus (note 10)	$ 1,341,907	$ 1,316,485

The accompanying notes are an integral part of these consolidated financial statements.

THE REGIONAL MUNICIPALITY OF NIAGARA

CONSOLIDATED STATEMENT OF OPERATIONS

Year ended December 31, 2012, with comparative figures for 2011 (In thousands of dollars)

	Budget (Unaudited – note 18)	2012	2011
REVENUES:			
Taxation and user charges:			
Requisitions on local governments	$ 311,499	$ 310,223	$ 299,332
User charges	200,554	202,598	202,225
	512,053	512,821	501,557
Government transfers (note 16):			
Government of Canada	28,201	27,763	25,444
Province of Ontario	230,254	229,686	247,313
Other municipalities	6,777	6,713	10,677
	265,232	264,162	283,434
Other:			
Development charges earned	14,878	15,066	7,040
Investment income	11,892	14,643	14,552
Provincial offences	9,074	8,854	9,321
Miscellaneous	1,937	4,032	5,372
	37,781	42,595	36,285
Total revenues	815,066	819,578	821,276
EXPENSES:			
General government	26,841	30,868	22,813
Protection to persons and property	161,178	162,725	160,308
Transportation services	58,032	55,872	51,721
Environmental services	168,922	159,400	139,815
Health services	76,976	76,607	72,774
Social and family services	236,737	232,976	227,556
Social housing	54,280	54,831	55,945
Planning and development	6,334	20,877	19,226
Total expenses	789,300	794,156	750,158
Annual surplus	25,766	25,422	71,118
Accumulated surplus, beginning of year	1,316,485	1,316,485	1,245,367
Accumulated surplus, end of year	$ 1,342,251	$ 1,341,907	$ 1,316,485

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (NET DEBT) Year ended December 31, 2012, with comparative figures for 2011 (In thousands of dollars)

	Budget (Unaudited – note 18)	2012	2011
Annual surplus	$ 25,766	$ 25,422	$ 71,118
Acquisition of tangible capital assets	(127,994)	(127,994)	(88,630)
Amortization of tangible capital assets	64,672	64,672	60,590
Loss on sale of tangible capital assets	2,021	2,022	406
Proceeds on sale of tangible capital assets	1,174	1,319	308
Change in supplies of inventories	-	(543)	(106)
Change in deposit	-	4,814	(4,814)
Change in prepaid expense	-	(419)	(863)
Change in net financial assets (net debt)	(34,361)	(30,707)	38,009
Net financial assets (net debt), beginning of year	15,929	15,929	(22,080)
Net financial assets (net debt), end of year	$ (18,432)	$ (14,778)	$ 15,929

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2012, with comparative figures for 2011 (In thousands of dollars)

	2012	2011
OPERATING ACTIVITIES:		
Annual surplus	$ 25,422	$ 71,118
Items not involving cash:		
Amortization	64,672	60,590
Loss on sale of tangible capital assets	2,022	406
Change in employee benefits and other liabilities	4,423	1,366
Change in landfill liability	28,223	(1,271)
Change in non-cash assets and liabilities:		
Accounts receivable	9,751	18,161
Other current assets	(87)	456
Accounts payable and accrued liabilities	812	(24,922)
Deferred revenue	(3,919)	(2,418)
Inventory	(543)	(106)
Deposit	4,814	(4,814)
Prepaid expenses	(419)	(863)
Net change in cash from operating activities	135,171	117,703
CAPITAL ACTIVITIES:		
Proceeds on sale of tangible capital assets	1,319	308
Cash used to acquire tangible capital assets	(127,994)	(87,537)
Net change in cash from capital activities	(126,675)	(87,229)
INVESTING ACTIVITIES:		
Proceeds from investments	188,021	251,884
Purchase of investments	(149,225)	(238,652)
Net change in cash from investing activities	38,796	13,232
FINANCING ACTIVITIES:		
Debt issued and assumed	6,303	-
Long-term debt repaid	(28,632)	(31,040)
Increase in sinking fund assets	(71)	(17)
Net change in cash from financing activities	(22,400)	(31,057)
Net change in cash	24,892	12,649
Cash, beginning of year	87,144	74,495
Cash, end of year	$ 112,036	$ 87,144
Cash paid for interest	$ 12,208	$ 13,620
Cash received from interest	14,966	14,388
Non-cash investing and financing activities:		
Tangible capital asset acquisition funded by capital lease borrowings	-	1,093
Debt issued on behalf of others	24,399	59,669
Repayment made on debt on behalf of others	23,624	24,037

The accompanying notes are an integral part of these consolidated financial statements.

1. Significant accounting policies:

The consolidated financial statements of The Regional Municipality of Niagara (the "Region") are prepared by management in accordance with Canadian public sector accounting standards ("PSAB") as recommended by the Canadian Institute of Chartered Accountants. Significant accounting policies adopted by the Region are as follows:

(a) Basis of consolidation:

(i) Consolidated entities:
The consolidated financial statements reflect the assets, liabilities, revenues, expenses and fund balances of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Region and which are owned or controlled by the Region. These entities and organizations include:

Niagara Regional Police Services
Niagara Regional Housing
Provincial Offences Act Operations
Niagara Economic Development Corporation

Interdepartmental and inter-organizational transactions and balances between these organizations are eliminated.

(ii) Trust funds:
Trust funds and their related operations administered by the Region are not included in these financial statements.

(b) Basis of accounting:

The Region follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

(c) Investments:

Investments consist of bonds and money market notes and are stated at the lower of cost and market value. Gains and losses on investments are recorded when incurred.

1. Significant accounting policies (continued):

(d) Non-financial assets:

Non financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets:
Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land and landfill sites, are amortized on a straight line basis over their estimated useful lives as follows:

Asset		Useful Life - Years
Land improvements		3 - 50
Building and building improvements		3 - 60
Vehicles, machinery and equipment	- Vehicles	4 - 20
	- Machinery and equipment	3 - 60
Water and wastewater infrastructure		25 - 100
Roads infrastructure	- Base	40
	- Bridge and culvert	60
	- Surface	10

Landfill sites are amortized using the units of production method based upon capacity used during the year.

One half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

(ii) Contributions of tangible capital assets:
Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

(iii) Intangible assets:
Intangible assets and natural resources that have not been purchased are not recognized as assets in the financial statements.

(iv) Interest capitalization:
The Region's tangible capital asset policy does not allow for the capitalization of interest costs associated with the acquisition or construction of a tangible capital asset.

1. Significant accounting policies (continued):

(d) Non-financial assets (continued):

(v) Leases:
Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related payments are charged to expenditures as incurred.

(vi) Inventories:
Inventories held for consumption are recorded at the lower of cost and replacement cost.

(e) Reserves:

Certain amounts, as approved by Regional Council are set aside in reserves for future operating and capital purposes. Transfers to and/or from reserves are an adjustment to the respective reserve when approved. Reserves are presented on the statement of financial position in accumulated surplus.

(f) Government transfers:

Government transfers received relate to social services, child care, housing and health programs. Government transfers paid relate to social services programs. Transfers are recognized in the financial statements in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

(g) Deferred revenue:

Deferred revenues represent development charges, grants, user charges and fees which have been collected but for which the related services have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed.

(h) Investment income:

Investment income earned is reported as revenue in the period earned. Investment income earned on development charge reserve funds is added to the fund balance and forms part of the deferred development revenue balance.

(i) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant estimates include assumptions used in estimating provisions for tax reassessments, accrued liabilities, landfill liability, certain payroll liabilities and in performing actuarial valuations of employee future benefits. Amounts recorded for amortization of tangible capital assets are based on estimates of useful service life. Actual results could differ from these estimates.

2. Investments:

Investments reported on the consolidated statement of financial position have market values as follows:

	2012		2011	
	Cost	Market Value	Cost	Market Value
Investments	$ 368,744	$ 377,219	$ 407,540	$ 418,618

3. Accounts receivable:

Accounts receivable are reported net of a valuation allowance of $3,988 (2011 - $2,173).

4. Employee benefits and other liabilities:

The Region provides certain employee benefits which will require funding in future periods. These benefits include sick leave, benefits under the Workplace Safety and Insurance Board ("WSIB") Act, and life insurance, extended health and dental benefits for early retirees.

	2012	2011
Future payments required to WSIB	$ 26,061	$ 22,166
Accumulated Sick Leave Benefit Plan entitlements	15,814	16,299
Retiree benefits	31,616	30,824
Vacation pay	10,530	10,646
Other liabilities	3,061	2,724
Total	$ 87,082	$ 82,659

The Region has established reserve funds to mitigate the future impact of these obligations. These reserve funds are presented in the statement of financial position in accumulated surplus. Reserves relating to these liabilities are as follows:

	2012	2011
Workplace safety and insurance	$ 16,533	$ 16,343
Cumulative sick leave	2,759	2,984
Police accumulated sick leave	4,276	4,526
Future health and dental claims	11,981	4,276
Other PSAB liabilities	-	6,792
Total	$ 35,549	$ 34,921

4. Employee benefits and other liabilities (continued):

Information about the Region's benefit plans is as follows:

		2012		2011
Accrued benefit obligation:				
Balance, beginning of year	$	84,610	$	83,935
Current benefit cost		5,584		4,885
Interest		2,902		3,437
Actuarial loss		9,149		-
Benefits paid		(5,646)		(7,647)
Balance, end of year		96,599		84,610
Unamortized actuarial loss		(9,517)		(1,951)
Liability for benefits	$	87,082	$	82,659

Included in expenditures is $1,582 (2011 - $691) for amortization of the actuarial loss. The unamortized actuarial loss is amortized over the expected average remaining service life as listed below:

Accumulated Sick Leave Benefit Plan entitlements	6 - 12 years
Retiree benefits	10 - 18 years

The unamortized actuarial loss on future payments required to WSIB is amortized over the expected period of the liability which is 10 years.

Accumulated sick leave

Under the accumulated sick leave benefit plan, unused sick leave can accumulate and employees may become entitled to a cash payment when they leave the Region's employment.

WSIB

With respect to responsibilities under provisions of the Workplace Safety and Insurance Board ("WSIB") Act the Region has elected to be treated as a Schedule 2 employer and remits payments to the WSIB as required to fund disability payments. An actuarial estimate of future liabilities has been completed and forms the basis for the estimated liability reported in these financial statements. The most recent actuarial valuation was performed as at December 31, 2012.

The main actuarial assumptions employed for the valuation are as follows:

a) Interest (discount rate):

The obligation as at December 31, 2012, of the present value of future liabilities and the expense for the 12 months ended December 31, 2012, were determined using a discount rate of 3.5% (2011 - 5.0%).

4. Employee benefits and other liabilities (continued):

WSIB (continued)

b) Administration costs:

Administration costs were assumed to be 22.2% (2011 - 27.0%) of the compensation expense.

c) Compensation expense:

Compensation costs, include loss of earnings benefits, health care costs and non-economic loss awards, were assumed to increase at rates ranging from 2.5% to 6.5% (2011 - 2.5% to 6.0%).

Retiree benefits

The Region pays certain life insurance benefits on behalf of the retired employees as well as extended health and dental benefits for early retirees to age 65 and Health Care Spending Accounts for certain retirees until the age of 70 or 75 depending on year of retirement. The Region recognizes these post-retirement costs in the period in which the employees rendered the services. The accrued benefit liability and the expense for the 12 months ended December 31, 2012, were determined by actuarial valuation using a discount rate of 3.5% (2011 - 5.0%). The most recent actuarial valuation was performed as at December 31, 2012.

The main actuarial assumptions employed for the valuations are as follows:

a) Interest (discount rate):

The obligation as at December 31, 2012, of the present value of future liabilities and the expense for the 12 months ended December 31, 2012, were determined using a discount rate of 3.5% (2011 - 5.0%).

b) Medical costs:

Medical costs were assumed to increase at the rate of 5 2/3% per year from 2012 reducing to 4.0% per year in 2018 and thereafter (2011 - 6 1/3% to 4%).

c) Dental costs:

Dental costs were assumed to increase at the rate of 3.5% (2011 - 4.0%) per year.

Other pension plans

The Region makes contributions to the Ontario Municipal Employees Retirement Fund ("OMERS"), which is a multi-employer plan. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

4. Employee benefits and other liabilities (continued):

Other pension plans (continued)

The amount contributed to OMERS for 2012 was $22,666 (2011 - $20,575) for current service and is included as an expenditure on the consolidated statement of operations. Employees' contribution to OMERS in 2012 was $22,666 (2011 - $20,575).

Contributions for employees with a normal retirement age of 65 were being made at rate of 8.3% (2011 - 7.4%) for earnings up to the yearly maximum pensionable earnings of $50.1 (2011 - $48.3) and at a rate of 12.8% (2011 - 10.7%) for earnings greater than the yearly maximum pensionable earnings. For uniformed police officers with a normal retirement age of 60, those rates were 9.4% (2011 - 8.9%) and 13.9% (2011 - 14.1%) respectively.

The OMERS pension plan has a deficit at December 31, 2012 of $9,924,000 based on actuarial valuation of plan assets. In response OMERS has increased contributions for both employees and employers by an additional 0.9% for 2013. If actuarial surpluses are not available to offset the existing deficit and subsidize future contributions, additional increases in the contributions may be required.

5. Deferred revenue:

A requirement of PSAB is that obligatory reserve funds be reported as deferred revenue. The Region treats development charges and gasoline tax as obligatory reserve funds. The Region has obligatory reserve funds in the amount of $45,265 (2011 - $50,135). These reserve funds are considered obligatory as Provincial and Federal legislation restricts how these funds may be used and, under certain circumstances, how these funds may be refunded.

In the case of development charges, revenue recognition occurs after the funds have been collected and when the Region has approved and incurred the expenditures for the capital works for which the development charges were raised. These funds have been set aside, as required by the Development Charges Act, to defray the cost of growth related capital projects associated with new development.

The deferred revenues, reported on the consolidated statement of financial position, are made up of the following:

	December 31, 2011	Externally Restricted Inflows	Revenue Recognized	Investment Income	December 31, 2012
Development Charges	$ 35,995	$ 12,898	$ (15,066)	$ 276	$ 34,103
Gasoline Tax	14,140	13,111	(16,246)	157	11,162
Investing in Ontario Grant	10,617	-	-	-	10,617
Other deferred revenue	9,253	33,204	(32,253)	-	10,204
	$ 70,005	$ 59,213	$ (63,565)	$ 433	$ 66,086

6. Landfill liability:

The Region owns and operates a number of landfill sites. As well, they own and monitor several landfill sites which have been closed. The liability for closure of operational sites and post-closure care has been recognized based upon the usage of the site's capacity during the year. The costs were based upon the 2012 budget and inflation adjusted at rates from 1.5% to 3.0% per annum (2011 - 1.5% to 3.0%) until the estimated year of closure. These costs were then discounted to December 31, 2012 using a discount rate of 3.5% (2011 - 5.5%). Post-closure care is estimated to be required for 25 years from the date of site closure. The liability for closure and post-closure care as at December 31, 2012 is $66,783 (2011 - $38,560). Estimated expenses for closure and post-closure care are $76,150 (2011 - $44,256). The liability remaining to be recognized is $9,367 (2011 - $5,696). It is estimated that the life of the sites range from 1 to 40 years.

7. Net long-term liabilities:

(a) In addition to long-term liabilities incurred directly, the Region has assumed the responsibility for the charges on debt originally incurred by local municipalities in respect of functions which are now a Regional responsibility.

As well as incurring long-term liabilities for regional purposes, the Region also incurs long-term liabilities on behalf of the Area Municipalities. The responsibility for raising the amounts required to service this debt lies with the respective Area Municipalities.

The balance of net long-term liabilities reported on the consolidated statement of financial position is made up of the following:

	2012	2011
Long-term liabilities incurred by the Region (including capital lease)	$ 462,985	$ 483,174
Long-term liabilities assumed by the Region incurred by others	1,034	1,076
Less: Sinking fund assets	(3,126)	(1,532)
Long-term liabilities	460,893	482,718
Debt recoverable from others net of sinking fund assets (long-term liabilities incurred by the Region for which other entities have assumed responsibility)	(217,729)	(217,154)
Net long-term liabilities, end of year	$ 243,164	$ 265,564

(b) The long-term liabilities in (a) issued in the name of the Region have received approval of the Ontario Municipal Board for those approved on or before December 31, 1992. Those approved after January 1, 1993 have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs.

7. Net long-term liabilities (continued):

(c) The Region issued sinking fund debentures of $78,079 payable on June 30, 2040 and bearing interest at the rate of 5.2% per annum. The sinking fund debentures are included in long-term liabilities in (a) and include $9,333 borrowed on behalf of the City of St. Catharines and shown as debt recoverable from others. The City of St. Catharines share of the sinking fund assets have been removed from the debt recoverable from others in (a). Annual principal payments into the sinking fund of $1,512 are due June 30 of each year. These payments are reflected as principal repayments in (e).

(d) The Region is contingently liable for long-term liabilities with respect to tile drainage and shoreline property assistance and for those for which the responsibility for the payment of principal and interest has been assumed by area municipalities and school boards. The total amount outstanding as at December 31, 2012 is $217,729 (2011 - $217,154) and is reported on the consolidated statement of financial position as debt recoverable from others.

(e) Principal payments, including sinking fund payments and capital lease obligations, due in each of the next five years are as follows:

2013	$	25,790
2014		23,946
2015		23,023
2016		17,169
2017		17,403
Thereafter		135,833
	$	243,164

(f) The long-term liabilities in (a) included capital lease obligations for equipment of $885 (2011 - $1,093) expiring in 2015 with interest at a rate of 2.58%.

(g) Total interest on net long-term liabilities which are reported on the consolidated statement of operations amounted to $11,907 in 2012 (2011 - $13,118). The long-term liabilities bear interest at rates ranging from 1.55% to 8.75%. The interest on long-term liabilities assumed by the municipalities and school boards or by individuals in the case of tile drainage and shoreline property assistance loans are not reflected in these financial statements.

(h) The Region has purchased $31,689 (2011 - $31,325) of its own debentures which have not been cancelled. This investment in own debentures is included in investments on the consolidated statement of financial position. The gross outstanding amount of these debentures is $60,327 (2011 - $69,662).

8. Tangible capital assets:

	2012							
	Land	Landfill and Land Improvements	Building and Building Improvements	Vehicles, Machinery and Equipment	Water and Wastewater Infrastructure	Roads Infrastructure	Work in progress	Total
Cost								
Balance, beginning of year	$ 200,504	$ 74,425	$ 590,141	$ 483,842	$ 248,762	$ 527,205	$ 26,839	$ 2,151,718
Additions	5,038	2,916	30,584	8,540	20,105	29,379	31,432	127,994
Disposals	(14)	(67)	(702)	(20,171)	-	(10,237)	-	(31,191)
Balance, end of year	205,528	77,274	620,023	472,211	268,867	546,347	58,271	2,248,521
Accumulated Amortization								
Balance, beginning of year	-	35,024	230,455	297,697	51,782	253,326	-	868,284
Disposals	-	(47)	(467)	(20,357)	554	(7,533)	-	(27,850)
Amortization expense	-	2,477	17,429	24,555	3,431	16,780	-	64,672
Balance, end of year	-	37,454	247,417	301,895	55,767	262,573	-	905,106
Net Book Value, end of year	$ 205,528	$ 39,820	$ 372,606	$ 170,316	$ 213,100	$ 283,774	$ 58,271	$ 1,343,415

8. Tangible capital assets (continued):

	2011							
	Land	Landfill and Land Improvements	Building and Building Improvements	Vehicles, Machinery and Equipment	Water and Wastewater Infrastructure	Roads Infrastructure	Work in progress	Total
Cost								
Balance, beginning of year	$ 194,225	$ 59,523	$ 551,625	$ 403,898	$ 246,962	$ 498,852	$ 116,204	$ 2,071,289
Additions	6,360	14,902	38,516	83,839	1,841	32,537	(89,365)	88,630
Disposals	(81)	-	-	(3,895)	(41)	(4,184)	-	(8,201)
Balance, end of year	200,504	74,425	590,141	483,842	248,762	527,205	26,839	2,151,718
Accumulated Amortization								
Balance, beginning of year	-	32,827	214,221	278,638	48,693	240,802	-	815,181
Disposals	-	-	-	(3,558)	(26)	(3,903)	-	(7,487)
Amortization expense	-	2,197	16,234	22,617	3,115	16,427	-	60,590
Balance, end of year	-	35,024	230,455	297,697	51,782	253,326	-	868,284
Net Book Value, end of year	$ 200,504	$ 39,401	$ 359,686	$ 186,145	$ 196,980	$ 273,879	$ 26,839	$ 1,283,434

8. Tangible capital assets (continued):

Work in progress

Work in progress having a value of $58,271 (2011 - $26,839) is not amortized. Amortization of these assets will commence when the asset is put into service.

Contributed Tangible Capital Assets

Contributed capital assets have been recognized at fair market value at the date of contribution. The value of contributed assets received during the year is $730 (2011 - $582).

Tangible Capital Assets Disclosed at Nominal Values

Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value. Land is the only category where nominal values were assigned.

Works of Art and Historical Treasures

No works of art or historical treasures are held by the Region.

9. Deposit:

On February 29, 2012 NRH acquired a property from a housing provider. NRH is reconstructing the 55 unit townhouse community with estimated completion of June 2013. During 2011 NRH provided the housing provider funding of $4,814 to begin reconstructing the asset prior to acquisition. The agreement provides that the amount would be refundable to NRH if the purchase transaction did not occur. This amount is included as a deposit on the statement of financial position at December 31, 2011, and was transferred to tangible capital assets in 2012.

At the date of acquisition, NRH paid the existing Canada Mortgage and Housing Corporation mortgage in the amount of $783. Upon transfer of the asset, the difference between the fair value of $1,434 and the mortgage amount paid is included in income as a contribution of capital asset.

10. Accumulated Surplus:

Accumulated surplus consists of balances as follows:

	2012	2011
Surplus:		
Invested in tangible capital assets	$ 1,100,251	$ 1,017,870
Capital fund - unexpended capital financing	150,367	175,599
Operating fund	(12,490)	(2,964)
Unfunded		
Landfill liability	(66,783)	(38,560)
Employee benefits	(86,605)	(82,515)
	1,084,740	1,069,430
Reserves set aside by Council:		
Ambulance communication	1,699	1,947
Brock and Niagara College	-	85
Children's services	700	700
Circle route initiatives	1,483	1,483
Contingencies	8,837	7,144
Employee benefits	35,549	34,921
Encumbrances	2,916	2,655
General capital levy	7,012	8,818
General operating levy	-	2,837
Investment income stabilization	1,561	1,003
Land ambulance severance	4,681	4,211
Niagara Health System funding obligation	-	1,000
Niagara Regional Housing	11,833	14,000
POA facilities renewal	2,213	1,694
Public health	228	539
Public liability self-insurance	2,498	2,514
Replacement of equipment	6,743	7,033
Senior services	2,422	2,870
Smart growth	1,685	1,755
Social assistance	8,489	8,489
Tax write-off	5,000	5,000
Taxpayer relief reserve	3,450	5,175
Waste management operations	15,297	15,771
Wastewater operations	56,488	48,265
Water operations	73,250	64,375
Other	3,133	2,771
	257,167	247,055
	$ 1,341,907	$ 1,316,485

11. Trust funds:

Trust funds administered by the Region amounting to $1,066 (2011 - $1,096) have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations.

12. Commitments:

(a) The Region has outstanding contractual obligations of approximately $52,659 (2011 - $40,444) for public works projects. These costs include holdbacks. The holdbacks related to work completed as of December 31, 2012 have been accrued. Regional council has authorized the financing of these obligations.

(b) The Region is committed to paying principal and interest payments on provincial debentures issued to finance the properties transferred to Niagara Regional Housing from Ontario Housing Corporation. The debentures are outstanding in the amount of $19,135 (2011 - $20,902). Annual payments of $3,090 (2011 - $2,882) have been charged to current operations.

(c) The Region enters into various service contracts in the normal course of business which have been approved by the appropriate level of management or by Council but which have not been reported as commitments.

(d) Minimum annual lease payments:

The Region rents premises and equipment with minimum annual lease payments as follows:

	2012	2011
2012	$ -	$ 2,099
2013	1,970	1,742
2014	1,565	1,335
2015	1,411	1,196
2016	1,164	991
2017	433	337
Thereafter	2,939	2,939
	$ 9,482	$ 10,639

13. Contingent liabilities:

(a) From time to time, the Region is subject to claims and other lawsuits that arise in the ordinary course of business, some of which may seek damages in substantial amounts. These claims may be covered by the Region's insurance up to a maximum of $15,000 per occurrence. Liability for these claims and lawsuits are recorded to the extent that the probability of a loss is likely and it is estimable.

13. Contingent liabilities (continued):

(b) At December 31, 2012, salary or benefit agreements were not settled for the following bargaining units:
- Canadian Union of Public Employees Local 1757
- Niagara Regional Police Association
- Niagara Regional Police Senior Officers Association
- Ontario Nurses Association 9

Management has estimated the liability at December 31, 2012 based on the status of negotiations and has accrued that amount as an operating expense in the current year. The ultimate cost, however, will depend on the final settlement. Any additional costs will be expensed in the year that settlement is determined.

14. Public liability insurance:

The Region has undertaken a portion of the risk for public liability, as a means of achieving efficient and cost effective risk management. The Region is self insured for public liability claims up to $1,000 for any individual claim and $1,000 for any number of claims arising out of a single occurrence. Outside coverage is in place for claims in excess of these amounts up to $20,000 per occurrence.

The Region has a reserve for allocated self insurance claims which as at December 31, 2012 amounted to $2,498 (2011 - $2,514) and which is reported on the consolidated statement of financial position under accumulated surplus. An amount of $nil (2011 - $nil) has been transferred to this reserve fund in the current year. An amount of $16 (2011 - $nil) has been transferred from this reserve fund in the current year.

Payments charged against operations in the current year amounted to $2,438 (2011 - $1,307). Interest earned by the reserve amounted to $nil (2011 - $6).

15. Self funded employee benefit plans:

The Region provides a group health and dental plan for certain employees and has assumed the full liability for payment of benefits under this plan.

Payments charged against operations in the current year amounted to $14,400 (2011 - $13,715).

16. Government transfers:

The Region recognized the transfer of government funding as expenses or revenues in the period that the events giving rise to the transfer occurred. The Government transfers reported on the Statement of Operations are:

	Budget (Unaudited - note 18)	2012	2011
Revenue:			
Government of Canada:			
General government	$ 1,625	$ 1,084	$ 3,949
Protection to persons and property	4	2	20
Transportation services	15,173	15,173	117
Environmental services	1,158	1,158	11,322
Health services	103	66	59
Social and family services	501	637	582
Social housing	9,637	9,643	9,395
	28,201	27,763	25,444
Province of Ontario:			
General government	-	3	9,044
Protection to persons and property	4,576	5,041	3,541
Transportation services	983	983	6,749
Environmental services	4,040	4,496	9,706
Health services	50,654	51,211	50,789
Social and family services	166,160	163,276	157,313
Social housing	3,841	4,676	10,171
	230,254	229,686	247,313
Other municipalities:			
General government	168	138	521
Transportation services	5,406	5,406	4,128
Environmental services	1,132	1,132	5,850
Health Services	-	2	-
Social and family services	71	35	13
Social housing	-	-	165
	6,777	6,713	10,677
Total revenues	$ 265,232	$ 264,162	$ 283,434

17. Segmented information:

Segmented information has been identified based upon functional areas by the Region.

Previously segmented information was provided based upon lines of service. This change has been made to align the segmented information with Region activities. The comparative segmented information has been restated. This change has no financial effect.

The functions have been separately disclosed in the segmented information as follows:

(i) General government:

General government consists of the general management of the Region, including adopting bylaws and policy, levying taxes, issuing debentures and providing administrative, technical, facility management, and financial services.

(ii) Protection to persons and property:

Protection to persons and property is comprised of the Police Services and Provincial Offences ("POA"). The mandate of Police Services is to ensure the safety of the lives and property of citizens; preserve peace and good order; prevent crimes from occurring; detect offenders; and enforce the law. The POA is a procedural law for administering and prosecuting Provincial Offences including those committed under the Highway Traffic Act, the Compulsory Automobile Insurance Act, the Trespass to Property Act, the Liquor License Act and other provincial legislation, municipal by-laws and minor federal offences. The POA governs all aspects of the legal prosecution process, from serving an offence notice to an accused person to conducting trials including sentencing and appeals.

(iii) Transportation services:

Within the Public Works department, this segment is responsible for the planning, design, operation and maintenance of the roadway system, the maintenance of parks and open space, and street lights.

(iv) Environmental services:

Within the Public Works department, this segment is responsible for the engineering and operation of the water and wastewater systems and waste management, the latter of which encompasses solid waste collection and disposal and Niagara Recycling.

(iv) Health services:

The Public Health Department offers a range of programs related to health services that includes protection and promotion, disease and injury prevention and also oversees the Emergency Services Division ("ESD") that encompasses both Land Ambulance ("Paramedic") Services and Land Ambulance Communications ("Dispatch") Services.

17. Segmented information (continued):

(vi) Social and family services:

The Community Services department is responsible for providing public services that sustains and supports individuals, families and communities. Programs and services are delivered through Senior Services, Children's Services, and Social Assistance and Employment Opportunities.

(vii) Social housing:

The Region is committed to providing and advocating for secure, affordable housing in the region.

(viii) Planning and development:

The planning and development department provides information to Council and the community through working with partners and community groups to support planning initiatives in the region, providing information to residents about Region programs and services and providing leadership in the development, maintenance and growth of the emergency readiness in Niagara. The planning and development department also supports the economic development and Region special initiatives, including contributions to the Niagara Health System.

Certain allocation methodologies are employed in the preparation of segmented information. Taxation and payments-in-lieu of taxes are allocated to the segments based on the segment's budgeted net expenses. User charges and other revenue have been allocated to the segments based upon the segment that generated the revenue. Government transfers have been allocated to the segment based upon the purpose for which the transfer was made. Development charges earned and developer contributions received were allocated to the segment for which the charge was collected.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1.

17. Segmented information (continued):

	2012								
	General government	Protection to persons and property	Transportation services	Environmental services	Health services	Social and family services	Social housing	Planning and development	Total
Revenues:									
Taxation	$ 32,034	$ 137,108	$ 41,439	$ -	$ 23,435	$ 39,439	$ 27,818	$ 8,950	$ 310,223
User charges	469	8,310	3,526	153,691	421	23,363	12,373	445	202,598
Government transfers	1,225	5,043	21,562	6,786	51,279	163,948	14,319	-	264,162
Development charges earned	-	-	7,834	7,232	-	-	-	-	15,066
Investment income	14,587	-	-	-	2	-	54	-	14,643
Provincial offences	-	8,854	-	-	-	-	-	-	8,854
Other	1,489	652	(1,116)	512	1,021	578	896	-	4,032
Total revenues	49,804	159,967	73,245	168,221	76,158	227,328	55,460	9,395	819,578
Expenses:									
Salaries, wages and employee benefits	5,912	130,669	15,764	27,617	63,573	88,776	4,880	2,522	339,713
Operating expenses	19,254	15,799	18,136	100,795	11,363	47,219	18,337	2,975	233,878
External transfers	-	9,946	-	-	2	92,902	25,775	15,349	143,974
Debt services	1,273	950	3,089	4,932	57	1,303	284	31	11,919
Amortization	4,429	5,361	18,883	26,056	1,612	2,776	5,555	-	64,672
Total expenses:	30,868	162,725	55,872	159,400	76,607	232,976	54,83	20,877	794,156
Annual surplus (deficit)	$ 18,936	$ (2,758)	$ 17,373	$ 8,821	$ (449)	$ (5,648)	$ 629	$ (11,482)	$ 25,422

17. Segmented information (continued):

	2011								
	General government	Protection to persons and property	Transportation services	Environmental services	Health services	Social and family services	Social housing	Planning and development	Total
Revenues:									
Taxation	$ 30,018	$ 132,009	$ 41,596	$ -	$ 22,048	$ 37,834	$ 25,967	$ 9,860	$ 299,332
User charges	617	7,791	3,203	154,886	275	22,940	12,114	399	202,225
Government transfers	13,514	3,561	10,994	26,878	50,848	157,908	19,731	-	283,434
Development charges earned	-	-	3,661	3,379	-	-	-	-	7,040
Investment income	14,487	-	-	-	6	-	59	-	14,552
Provincial offences	-	9,321	-	-	-	-	-	-	9,321
Other	875	560	382	527	1,530	856	527	115	5,372
Total revenues	59,511	153,242	59,836	185,670	74,707	219,538	58,398	10,374	821,276
Expenses:									
Salaries, wages and employee benefits	6,535	127,575	13,992	27,667	59,052	86,126	4,686	1,886	327,519
Operating expenses	10,832	16,218	15,376	83,230	11,713	48,406	20,402	7,982	214,159
External transfers	58	10,388	-	-	355	89,138	25,500	9,317	134,756
Debt services	1,379	1,099	3,688	5,164	72	1,388	303	41	13,134
Amortization	4,009	5,028	18,665	23,754	1,582	2,498	5,054	-	60,590
Total expenses:	22,813	160,308	51,721	139,815	72,774	227,556	55,945	19,226	750,158
Annual surplus (deficit)	$ 36,698	$ (7,066)	$ 8,115	$ 45,855	$ 1,933	$ (8,018)	$ 2,453	$ (8,852)	$ 71,118

18. Budget data:

The unaudited budget data presented in these consolidated financial statements are based upon the 2012 operating and capital budgets approved by Council on December 1, 2011. The chart below reconciles the approved budget to the budget figures reported in these consolidated financial statements. Budgets established for tangible capital asset acquisitions are on a project-oriented basis, the costs of which may be carried out over one or more years. Where amounts were budgeted for on a project-oriented basis, the actual amounts for 2012 were used in order to adjust the budget numbers to reflect the same basis of accounting that was used to report the actual results. In addition, to ensure comparability of expenses, the allocation of program support costs completed for actual reporting was also applied to the budget amounts.

	Budget Amount
REVENUES:	
Operating	
Approved budget	$ 778,213
Reclassification between revenue and expense	1,000
Budget updates	4,517
Capital:	
Development charges	14,878
Grants and subsidies	26,635
Other contributions	1,729
Contributed assets	730
Less:	
Transfers from reserves	(9,440)
Loss on sale of tangible capital assets	(2,022)
Proceeds on sale of tangible capital assets	(1,174)
Total revenue	815,066
EXPENSES:	
Operating	
Approved budget	778,213
Reclassification between revenue and expense	1,000
Budget updates	4,517
Add:	
Capital project cost resulting in operating expenses	6,792
Amortization	64,672
Employee future benefits	4,423
Less:	
Operating expenses resulting in tangible capital assets	(2,743)
Landfill liability	28,223
Transfers to reserves, including capital	(67,431)
Debt principal payments	(28,366)
Total expenses	789,300
Annual surplus	$ 25,766

19. Comparative figures:

Certain 2011 comparative figures have been reclassified to conform to the consolidated financial statement presentation adopted in the current year. There was no impact to the annual or accumulated surplus as a result of the reclassification of 2011 comparative figures.

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INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of
The Regional Municipality of Niagara

We have audited the accompanying financial statements of the sinking funds of The Regional Municipality of Niagara, which comprise the statement of financial position as at December 31, 2012, the statements of operations and change in net debt and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the statement of financial position of the sinking funds of The Regional Municipality of Niagara as at December 31, 2012, and its results of operations and the changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Accountants, Licensed Public Accountants
April 18, 2013, St. Catharines, Canada

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative. KPMG Canada provides services to KPMG LLP.

THE REGIONAL MUNICIPALITY OF NIAGARA

SINKING FUND STATEMENT OF FINANCIAL POSITION

As at December 31, 2012, with comparative figures for December 31, 2011 (In thousands of dollars)

	2012	2011
FINANCIAL ASSETS:		
Cash	$ 33	$ 1
Interest receivable	18	14
Due from operating fund	27	-
Investments (note 2)	3,048	1,517
	3,126	1,532
FINANCIAL LIABILITIES:		
Accounts payable and accrued liabilities	5	5
Sinking fund requirements		
City of St. Catharines	374	184
The Regional Municipality of Niagara	2,758	1,355
	3,137	1,544
Accumulated deficit and net debt	$ (11)	$ (12)

The accompanying notes are an integral part of these financial statements.

SINKING FUND STATEMENT OF OPERATIONS AND CHANGE IN NET DEBT

As at December 31, 2012, with comparative figures for December 31, 2011 (In thousands of dollars)

	2012	2011
REVENUES:		
Contributions	$ 1,512	$ 1,513
Investment income	87	19
Total revenues	1,599	1,532
EXPENSES:		
Professional fees	5	5
Provision for sinking fund requirements	1,593	1,539
Total expenses	1,598	1,544
Net change in fund balance for the period	1	(12)
Accumulated deficit in net debt, beginning of period	(12)	-
Accumulated deficit in net debt, end of period	$ (11)	$ (12)

The accompanying notes are an integral part of these financial statements.

THE REGIONAL MUNICIPALITY OF NIAGARA

SINKING FUND STATEMENT OF CASH FLOWS

As at December 31, 2012, with comparative figures for December 31, 2011 (In thousands of dollars)

	2012	2011
OPERATING ACTIVITIES:		
Net change in fund balance for the period	$ 1	$ (12)
Change in non-cash assets and liabilities:		
Interest Receivable	(4)	(14)
Due from operating fund	(27)	-
Accounts payable and accrued liabilities	-	5
Net change in cash from operating activities	(30)	(21
INVESTING ACTIVITIES:		
Purchase of investments	(1,531)	(7,571)
Proceeds from the sale of investments	-	6,054
Net change in cash from investing activities	(1,531)	(1,517)
FINANCING ACTIVITIES:		
Increase in sinking fund requirements	1,593	1,539
Net change in cash from financing activities	1,593	1,539
Net change in cash	32	1
Cash, beginning of year	1	-
Cash, end of year	$ 33	$ 1

The accompanying notes are an integral part of these financial statements.

NOTES TO SINKING FUND FINANCIAL STATEMENTS

For the year ended December 31, 2012 (In thousands of dollars)

1. Significant accounting policies:

The Regional Municipality of Niagara (the "Region") sinking fund is a separate fund maintained for the purpose of providing for the repayment of all sinking fund debt when it becomes due and payable. The debt issued on June 30, 2010 subject to repayment through the sinking fund is $78. The sinking fund is proportionally held 88.05% by the Region and 11.95% by the City of St. Catharines. Annual interest payments on the sinking fund debt are $4.

(a) Basis of accounting:

The Region's sinking fund follows the accrual method of accounting for revenues and expenses.

(b) Sinking fund requirements:

The requirements of the sinking fund represent the amounts required which, together with interest compounded annually, will be sufficient to retire the related debentures at maturity. The requirements were calculated using a rate of 3.5% per annum.

(c) Investment income:

Investment income earned and reported as revenue in the period earned.

2. Investments:

The investments consist of municipal bonds and are carried at cost. At December 31, 2012 the investments have a market value of $3,125 (2011 - $1,593).

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INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of
The Regional Municipality of Niagara

We have audited the accompanying financial statements of the trust funds of The Regional Municipality of Niagara, which comprise the statement of financial position as at December 31, 2012, the statements of operations and change in net financial assets for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the statement of financial position of the trust funds of The Regional Municipality of Niagara as at December 31, 2012, and its results of operations and the changes in its net financial assets for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Accountants, Licensed Public Accountants
April 18, 2013, St. Catharines, Canada

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THE REGIONAL MUNICIPALITY OF NIAGARA

TRUST FUNDS STATEMENT OF FINANCIAL POSITION

Year ended December 31, 2012, with comparative figures for 2011 (In thousands of dollars)

	2012	2011
FINANCIAL ASSET		
Cash	$ 1,128	$ 1,148
FINANCIAL LIABILITY		
Due to Regional Municipality of Niagara (note 2)	62	52
Accumulated surplus and net financial assets	$ 1,066	$ 1,096

The accompanying notes are an integral part of these financial statements.

TRUST FUNDS STATEMENT OF OPERATIONS AND CHANGE IN NET FINANCIAL ASSETS

Year ended December 31, 2012, with comparative figures for 2011 (In thousands of dollars)

	Residents' Trust Accounts	Trust Funds Retained for Residents	Donated Surplus	Total 2012	Total 2011
REVENUE:					
Residents' deposits, net	$ 1,049	$ -	$ -	$ 1,049	$ 1,158
Donations	-	39	277	316	227
	1,049	39	277	1,365	1,385
EXPENSE:					
Residents' withdrawals, net	1,104	-	-	1,104	1,201
Expenditures for the benefit of residents	-	39	252	291	296
	1,104	39	252	1,395	1,497
Annual deficit and changes in net financial assets	(55)	-	25	(30)	(112)
Accumulated surplus and net financial assets, beginning of year	567	277	252	1,096	1,208
Accumulated surplus and net financial assets, end of year	$ 512	$ 277	$ 277	$ 1,066	$ 1,096

The accompanying notes are an integral part of these financial statements.

NOTES TO TRUST FUNDS FINANCIAL STATEMENTS

Year ended December 31, 2012 (In thousands of dollars)

1. Significant accounting policies:

The financial statements of trust funds of The Regional Municipality of Niagara are the representation of management prepared in accordance with Canadian public sector accounting standards, established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants. Significant accounting policies adopted by the Trust Funds are as follows:

(a) Basis of accounting:

The Trust Funds follow the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as result of receipt of goods and services and/or the creation of a legal obligation to pay.

(b) Tangible capital assets:

The net financial assets of the Trust Funds are resident deposits for the benefits of residents. No tangible capital assets are purchased by the Trust Funds.

2. Due to The Regional Municipality of Niagara:

The amount due to The Regional Municipality of Niagara has no fixed terms of repayment and is non-interesting bearing.

3. Statement of cash flows:

Statement of cash flows has not been included in these financial statements as the information that would be provided is readily available from the information presented.

Twenty12
Niagara Region
Statistical

The fiscal year ending December 31, 2012

FIVE YEAR STATISTICAL REVIEW

Year ended December 31, 2012 with comparitive figures for 2011-2008
(Unaudited - In thousands of dollars)

	2012	2011	2010	2009	2008
STATISTICS					
Population (a)	446,676	431,346	443,866	442,908	442,121
Number of households (b)	191,153	190,150	188,554	186,504	187,524
Niagara Region government full-time employees	3,396	3,424	3,402	3,367	3,303
Unemployment rates (c):					
Niagara Region	7.8%	8.2%	9.4%	10.3%	7.4%
Ontario	7.8%	7.8%	8.7%	9.0%	6.5%
Canada	7.2%	7.4%	8.0%	8.3%	6.1%
Average monthly Ontario Works caseloads	10,765	10,302	9,790	8,902	7,457
Housing starts (d)	1,137	1,110	1,086	859	1,138
Annual disposal residential solid waste (metric tonnes)	91,812	93,466	116,883	115,338	120,507
Annual diversion of residential solid waste (metric tonnes)	97,616	91,643	84,901	90,579	85,736
Annual supply of treated water (000 m3)	60,486	59,592	59,432	58,857	60,793
Annual wastewater flows (000 m3)	69,975	85,675	73,099	79,548	87,857
BUILDING PERMIT VALUES ($000'S)					
Agricultural & residential (e)	$ 322,681	$ 282,500	$ 284,196	$ 222,085	$ 315,642
Business & commercial (e)	97,232	116,624	141,573	140,237	111,210
Industrial (e)	78,219	29,153	40,777	41,096	48,925
Government & Institutional (e)	38,491	43,349	621,133	80,090	44,584
	$ 536,623	$ 471,626	$1,087,679	$ 483,508	$ 520,361

Source:

(a) Statistics Canada preliminary estimate (2008-2010 based on 2006 adjusted census data; 2011 based on 2011 census data; 2012 based on 2011 adjusted census data)
(b) Ontario Assessment System, household counts for unconditional grants act
(c) Statistics Canada, CANSIM Tables 282-0110 & 282-0002
(d) CMHC Canadian Housing Observer
(e) Statistics Canada, Building Permits

THE REGIONAL MUNICIPALITY OF NIAGARA

FIVE YEAR STATISTICAL REVIEW

Year ended December 31, 2012 with comparitive figures for 2011-2008
(Unaudited - In thousands of dollars)

	2012	2011	2010	2009	2008
AREA MUNICIPALITIES TAX LEVY & COLLECTION EXPERIENCES					
Current tax levy	n/a	$ 763,759	$ 759,551	$ 738,102	$ 721,348
Current tax levy collections	n/a	$ 708,485	$ 702,142	$683,645	$ 669,125
Current collection as a % of current levy	n/a	92.8%	92.4%	92.6%	92.8%
Total collections	n/a	$ 763,652	$ 756,560	$ 733,517	$712,056
Total collections as a % of current levy	n/a	100.0%	99.6%	99.4%	98.7%
Total tax arrears	n/a	$ 65,705	$ 66,237	$ 65,247	$ 59,948
Tax arrears as a % of current levy	n/a	8.6%	8.7%	8.8%	8.3%
Regional government tax levy change (Net assessment decrease/increase after assessment growth)	3.22%	-1.37%	-0.08%	1.24%	0.04%
TAXABLE ASSESSMENT (Taxable assessment upon which the year's rate of taxation were set)					
Residential and farm	$ 37,803,722	$ 35,739,283	$ 33,647,581	$ 31,667,660	$ 29,655,951
Commercial, industrial and business	6,404,494	6,114,200	5,682,992	5,419,016	5,222,326
Total	$ 44,208,216	$ 41,853,483	$ 39,330,573	$ 37,086,676	$ 34,878,277
Per household ($)	$197,767	$ 187,953	$ 178,451	$ 169,796	$ 158,145
Commercial, industrial, business, as a % of taxable assessment	14.5%	14.6%	14.4%	14.6%	15.0%

THE REGIONAL MUNICIPALITY OF NIAGARA

FIVE YEAR STATISTICAL REVIEW

Year ended December 31, 2012 with comparitive figures for 2011-2008
(Unaudited - In thousands of dollars)

	2012	2011	2010	2009	2008
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (NET DEBT)					
Annual surplus	$ 25,422	$71,118	$78,589	$38,712	$45,749
Acquisition of tangible capital assets	(127,994)	(88,630)	(155,506)	(114,821)	(66,222)
Amortization of tangible capital assets	64,672	60,590	57,576	55,568	53,840
Loss on sale of tangible capital assets	2,022	406	160	141	406
Proceeds on sales of tangible capital assets	1,319	308	884	233	214
Change in supplies of inventories	(543)	(106)	(356)	(23)	(231)
Change in deposit	4,814	(4,814)	-	-	-
Change in prepaid expenses	(419)	(863)	(5,972)	(865)	115
Change in net financial assets (net debt)	(30,707)	38,009	(24,625)	(21,055)	33,871
Net financial assets (net debt), beginning of year	15,929	(22,080)	2,545	23,600	(10,271)
Net financial assets (net debt), end of year	($ 14,778)	$15,929	$(22,080)	$2,545	$23,600
NET LONG TERM LIABILITIES					
General municipal activities - capital projects	$ 243,164	$ 265,564	$ 295,528	$ 167,572	$ 170,206
Per capita ($)	$ 544	$ 616	$666	$378	$385
Percentage of taxable assessment Commercial, industrial and business	0.6%	0.6%	0.8%	0.5%	0.5%
DEBT CHARGES FOR NET LONG-TERM LIABILITIES					
General municipal activities	$ 40,551	$ 44,174	$ 35,480	$ 33,068	$ 35,824
Per capita ($)	$ 91	$ 102	$ 80	$ 75	$ 81
GENERAL LONG-TERM DEBT CHARGES AS % OF TOTAL GENERAL EXPENDITURES					
Percentage of debt to general expenditures	5.1%	5.9%	4.0%	4.0%	4.7%
ANNUAL REPAYMENT LIMIT					
Annual repayment limit	$ 90,120	$95,547	$87,754	$81,724	$82,763

FIVE YEAR STATISTICAL REVIEW

Year ended December 31, 2012 with comparitive figures for 2011-2008
(Unaudited - In thousands of dollars)

	2012	2011	2010	2009	2008
CONSOLIDATED STATEMENT OF FINANCIAL POSITION					
Financial Assets					
Cash	$112,036	$87,144	$74,495	$41,399	$18,493
Investments	368,744	407,540	420,772	337,924	373,613
Accounts receivable	65,012	74,763	92,924	71,506	56,434
Other current assets	366	279	735	1,928	2,684
Debt recoverable from others	217,729	217,154	181,705	158,319	158,843
Total financial assets	763,887	786,880	770,631	611,076	610,067
Financial Liabilities					
Accounts payable and accrued liabilities	97,821	97,009	121,931	90,673	82,932
Employee benefits and other liabilities	87,082	82,659	81,293	79,272	72,551
Deferred revenue	66,086	70,005	72,423	67,777	58,170
Landfill liability	66,783	38,560	39,831	44,918	43,765
Long-term liabilities	460,893	482,718	477,233	325,891	329,049
Total financial liabilities	778,665	770,951	792,711	608,531	586,467
Net financial assets (net debt)	(14,778)	15,929	(22,080)	2,545	23,600
Non-financial assets					
Tangible capital assets	1,343,415	1,283,434	1,256,108	1,159,222	1,100,343
Inventory	4,415	3,872	3,766	3,410	3,387
Deposits	-	4,814	-	-	-
Prepaid expenses	8,855	8,436	7,573	1,601	736
Total non-financial assets	1,356,685	1,300,556	1,267,447	1,164,233	1,104,466
Accumulated surplus	$1,341,907	$1,316,485	$1,245,367	$1,166,778	$1,128,066

THE REGIONAL MUNICIPALITY OF NIAGARA

FIVE YEAR STATISTICAL REVIEW

Year ended December 31, 2012 with comparitive figures for 2011-2008
(Unaudited - In thousands of dollars)

	2012	2011	2010	2009	2008
CONSOLIDATED STATEMENT OF OPERATIONS					
Revenues By Source					
Property taxpayer	$310,223	$299,332	$301,841	$297,212	$291,559
Sewer charges	64,312	61,615	60,339	58,606	56,808
Water charges	42,854	42,585	41,709	37,040	33,471
Waste management	46,138	50,336	45,998	42,182	41,460
User charges	49,294	47,688	46,264	45,419	45,315
Government of Canada grants	27,763	25,444	46,545	20,384	16,026
Province of Ontario grants	229,686	247,313	385,276	318,140	295,070
Other municipalities	6,713	10,677	3,432	6,977	4,178
Development charges	15,066	7,040	2,364	8,691	4,052
Developer contributions	1,313	526	135	1,326	2,171
Investment income	14,643	14,552	10,650	11,503	15,157
Provincial offences act	8,854	9,321	8,869	7,923	7,298
Miscellaneous income/other	2,719	4,846	3,686	3,161	2,544
Total revenue by source	819,578	821,276	957,108	858,564	815,109
Expense By Function					
General government	30,868	25,248	29,709	27,443	30,151
Protection to persons and property	162,725	159,678	147,317	143,144	137,684
Transportation services	55,872	51,548	65,386	51,775	44,906
Environmental services	159,400	139,361	121,319	127,129	119,049
Health services	76,607	72,342	72,712	67,879	63,714
Social and family services	232,976	226,537	376,989	343,747	319,990
Social housing	54,831	55,923	60,188	53,931	49,274
Planning and development	20,877	19,521	4,899	4,804	4,592
Total expenses by function	794,156	750,158	878,519	819,852	769,360
Annual Surplus	25,422	71,118	78,589	38,712	45,749
Accumulated surplus, beginning of year	1,316,485	1,245,367	1,166,778	1,128,066	1,082,317
Accumulated surplus, end of year	$1,341,907	$1,316,485	$1,245,367	$1,166,778	$1,128,066
Analysis Of Expenses By Object					
Salaries, wages and employee benefits	$339,713	$327,519	$315,711	$304,988	$286,499
Operating expenses	233,878	214,159	215,534	204,873	192,745
External transfers to others	143,974	134,756	278,604	245,870	227,051
Debt services	11,919	13,134	11,094	8,553	9,225
Amortization	64,672	60,590	57,576	55,568	53,840
Total expenses by object	$794,156	$750,158	$878,519	$819,852	$769,360

NOTES

Twenty12
Niagara Region
Annual Financial Report

Niagara Region

Niagara Region Printing Services June 2013